

# Sonoma State University Foundation

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Years Ended June 30, 2024 and 2023



**SONOMA STATE UNIVERSITY FOUNDATION**  
**Financial Statements and Supplemental Information**  
Years Ended June 30, 2024 and 2023

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sonoma State University Foundation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Sonoma State University Foundation (the Foundation), which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma State University Foundation as of June 30, 2024 and 2023, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma State University Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma State University Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

### ***Auditor's Responsibilities for the Audit of the Financial Statements, continued***

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sonoma State University Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma State University Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented on pages 29-35 is presented for the purpose of additional analysis as required by the California State University Chancellor's Office and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2024, on our consideration of Sonoma State University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sonoma State University Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sonoma State University Foundation's internal control over financial reporting and compliance.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 12, 2024

# SONOMA STATE UNIVERSITY FOUNDATION

## Management's Discussion and Analysis

June 30, 2024

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This section of the Sonoma State University Foundation (the Foundation) annual financial report presents management's overview and analysis of the financial activities of the Foundation for the fiscal year ended June 30, 2024. We encourage the reader to consider the information presented here in conjunction with the financial statements as a whole.

### Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Foundation's audited financial statements, which are comprised of the basic financial statements and the notes, as outlined in the table of contents. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*.

The Business-Type Activity (BTA) reporting model has been adopted by the California State University (CSU) system for use by all of its member campuses. The CSU determined the BTA model best represents the combined activities of the CSU and its auxiliary corporations.

The three auxiliary not-for-profit corporations serving Sonoma State University (University), of which the Foundation is one, have also adopted the BTA reporting model primarily for efficiencies gained in combining the three auxiliaries' annual financial statements with the University and ultimately the combined CSU financial statements.

The required financial statements include the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows. Notes to the financial statements and this summary support these statements. All sections must be considered together to obtain a complete understanding of the financial picture of the Foundation.

The Foundation's financial statements include:

Statements of Net Position: These statements include all assets and liabilities using the accrual basis of accounting as of the statement date. The difference between the two classifications is represented as "Net Position." This section of the statement identifies major categories of restrictions and reflects the overall financial position of the Foundation as a whole. Over time, increases and decreases in total net position can be an indicator of whether the financial health of the Foundation is improving or declining.

Statements of Revenues, Expenses, and Changes in Net Position: These statements present the revenues earned and the expenses incurred during the year using the accrual basis of accounting. Under accrual basis, all increases or decreases in net position are reported as soon as the underlying event occurs, regardless of the timing of the cash flow. Consequently, revenues and/or expenditures reported during this fiscal year may result in changes to cash flow in a future period.

Statements of Cash Flows: These statements reflect inflows and outflows of cash, summarized by operating, noncapital financing, and investing activities. The direct method was used to prepare this information, which means that gross rather than net amounts were presented for the year's activities.

Notes to Financial Statements: This additional information is essential to a full understanding of the data reported in the basic financial statements.

Supplemental Information: This is offered to support the required basic financial statements and to assist the reader in obtaining a clearer understanding of the operating units within the Organization.

# SONOMA STATE UNIVERSITY FOUNDATION

## Management's Discussion and Analysis

June 30, 2024

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### Analytical Overview

The following discussion highlights management's understanding of the key financial aspects of the Foundation's activities.

#### Condensed Summary of Net Position as of June 30,

	2024	2023	2022
Assets:			
Current assets	\$ 1,127,678	\$ 1,650,412	\$ 1,899,264
Other noncurrent assets	71,534,462	66,700,256	62,570,647
Total Assets	<u>72,662,140</u>	<u>68,350,668</u>	<u>64,469,911</u>
Liabilities:			
Current liabilities	<u>1,973</u>	<u>2,943</u>	<u>800</u>
Total Liabilities	<u>1,973</u>	<u>2,943</u>	<u>800</u>
Net Position:			
Restricted, nonexpendable	51,580,176	50,615,917	50,212,263
Restricted, expendable	17,282,552	13,952,111	13,657,362
Unrestricted	3,797,439	3,779,697	599,486
Total Net Position	<u>\$ 72,660,167</u>	<u>\$ 68,347,725</u>	<u>\$ 64,469,111</u>

### Assets

#### Current Assets

There was approximately a \$523 thousand decrease in current assets when compared to the prior year. Current assets are made up of cash and cash equivalents, short-term investments, and pledges receivable. Looking at pledges specifically, there were two new pledges totaling \$130 thousand and the Foundation received just over \$1 million in pledge payments and about \$80 thousand was written off as uncollectible. As pledge payments are received the cash is gifted to the University to be spent as the donor intended. The remainder of this overall change in current assets is the reclassification of noncurrent/long-term pledges to current, due to the passage of time.

From 2022 to 2023, there was a decrease of approximately \$249 thousand in current assets when compared to the prior year due to pledge activity in 2022.

#### Other Noncurrent Assets

Other noncurrent assets are made up of restricted cash and cash equivalents, pledges receivable, endowment investments, other long-term investments, and other assets. During the current year, other noncurrent assets increased by approximately \$4.8 million, primarily in the other long-term investment category due to market performance. Endowment returns net of endowment distribution are the main drivers for fluctuations in the other long-term investment category.

From 2022 to 2023, other noncurrent assets increased by approximately \$4 million, primarily in the Other long-term investment category. During the prior year, the Foundation received a gift of around \$3.3 million that the Board designated as a quasi-endowment. This gift is invested along with the endowment but is unrestricted and therefore reported under other long-term investments.

# SONOMA STATE UNIVERSITY FOUNDATION

## Management's Discussion and Analysis

June 30, 2024

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### Liabilities

#### Current Liabilities

Current liabilities are made up of accounts payable. The balance consists of accrued operating expenses.

### Net Position

The Foundation's net position increased \$4.3 million from 2023, which had increased \$3.9 million from 2022. That increase in the current year is primarily the result of market fluctuations, which impacts investment balances. The increase in 2022 was mainly due to the quasi-endowment received and mentioned on the previous page.

The Foundation's net position consisted of:

*Restricted, nonexpendable* - \$51,580,176 in 2024 and \$50,615,917 in 2023; represents endowments created by a multitude of donors over time. These endowments provide a perpetual stream of annual income in support of the University's academic and academic-related programs and scholarships. Net investment depreciation reduces this category if the total endowment's market value is below corpus. If the endowment's market value is above corpus, then the net investment appreciation is recorded under the restricted, expendable – other net position category. In the current year and previous year, there was accumulated investment appreciation that was recorded under the restricted, expendable – other net position category.

#### *Restricted, expendable:*

- Scholarships - \$1,079,495 in 2024 and \$1,523,512 in 2023; represent net position available for spending by authorized representatives of the University. This category increases from pledge donations and will decrease when pledge payments are gifted from the Foundation to the University for scholarships.
- Other - \$16,203,057 in 2024 and \$12,428,599 in 2023; represent net position available for spending by authorized representatives and appropriated endowment earnings along with investment appreciation above endowment corpus. This category increases from direct donations (including pledges), appropriated endowment earnings and investment appreciation above corpus and will decrease when gifts are made from the Foundation to the University to support various campus programs.

*Unrestricted* - \$3,797,439 in 2024 and \$3,779,697 in 2023. This category represents the Foundation's operating fund along with any Board of Directors (Board) designated funds such as quasi-endowments. This category is not restricted by external restrictions. Its use is designated by management or the Board of the Foundation.



# SONOMA STATE UNIVERSITY FOUNDATION

## Management's Discussion and Analysis

June 30, 2024

### Condensed Statements of Revenues, Expenses and Changes in Net Position for the Fiscal Years Ended June 30,

	2024	2023	2022
Revenues and expenses:			
Operating revenues	\$ 79,027	\$ 60,520	\$ 14,221
Operating expenses	(236,100)	(201,995)	(136,400)
Net operating loss	(157,073)	(141,475)	(122,179)
Nonoperating revenues (expenses):			
Gifts to the Foundation, noncapital	439,256	5,318,974	2,117,287
Gifts to the University from the Foundation, noncapital	(3,748,478)	(4,963,255)	(3,504,999)
Investment loss, net	(1,050)	(4,684)	(5,621)
Endowment income (loss), net	6,880,934	3,244,570	(5,033,476)
Other nonoperating revenues	-	-	756,981
Total nonoperating revenues (expenses)	3,570,662	3,595,605	(5,669,828)
Income (loss) before other additions	3,413,589	3,454,130	(5,792,007)
Additions to permanent endowments	898,853	424,484	3,629,186
Change in net position	4,312,442	3,878,614	(2,162,821)
Beginning net position	68,347,725	64,469,111	66,631,932
Ending net position	\$ 72,660,167	\$ 68,347,725	\$ 64,469,111

There was a net operating loss of approximately \$157 thousand in 2024. Operating revenues for the current year consist of University fundraising events that benefited endowments and lifetime alumni membership fees. These can fluctuate from year to year. Operating expenses increased slightly in the current year due to an increase in cost recovery paid to the University for services performed on behalf of the Foundation and an increase in software costs due to the implementation of Fundriver Balance which is an endowment accounting and reporting software system.

There was a net operating loss of approximately \$141 thousand in 2023. Operating revenues for the 2023 year consisted of curation revenues and lifetime alumni membership fees. Operating expenses increased slightly in the 2023 year due to an increase in cost recovery paid to the University and an increase in the Foundation's support to the Advancement Division of the University.

Net nonoperating revenues were approximately \$3.6 million in 2024, compared to net nonoperating revenues of approximately \$3.6 million in 2023. Overall, there was an increase in the endowment performance that was offset by the decline in noncapital gifts.

Net nonoperating revenue were approximately \$3.6 million in 2023, compared to net nonoperating expenses of approximately \$6 million in 2022. Overall, there was a substantial increase in gifts to the Foundation, due to the quasi-endowment gift mentioned previously.

Gifts to the Foundation, noncapital, are donations to ultimately support the University. These gifts do not include donations that support the endowments. Donations to support the endowments are reported as additions to permanent endowments in the statements of revenues, expenses, and changes in net position.

## SONOMA STATE UNIVERSITY FOUNDATION

### Management's Discussion and Analysis

June 30, 2024

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Detailed below are gifts to the Foundation in 2024 and 2023. These gifts may include direct gifts, matching gifts and pledges.

	<u>2024</u>	<u>2023</u>
Scholarships	\$ 123,898	\$ 639,421
Academic Programs	335,011	1,157,541
Green Music Center	12,779	105,334
Quasi-endowment additions	-	3,360,000
Adjustments for pledge valuation	<u>(32,432)</u>	<u>56,678</u>
Total gifts to the Foundation	<u>\$ 439,256</u>	<u>\$ 5,318,974</u>

Direct donations to support academic programs and scholarships are received and recorded by the University, not the Foundation. The Foundation receives and records endowments, gifts of stock, pledges, and contributions made via payroll deduction.

Gifts to the University from the Foundation represent the endowment distribution along with donations to support a variety of academic departments and scholarships. Detailed below are gifts to the University in 2024 and 2023.

	<u>2024</u>	<u>2023</u>
Academic Programs	\$ 2,150,055	\$ 2,992,680
Scholarships	1,115,507	1,436,244
Support to University Advancement Division	289,834	327,571
Green Music Center	<u>193,082</u>	<u>206,760</u>
Total gifts to the University	<u>\$ 3,748,478</u>	<u>\$ 4,963,255</u>

Endowment income in the current year is approximately \$7 million, compared to the endowment income of \$3 million in the prior year. This category is the result of investment income, net of investment management fees; realized gains, net of realized losses; and unrealized gains, net of unrealized losses.

	<u>2024</u>	<u>2023</u>
Investment income, net	\$ 1,129,595	\$ 714,500
Realized gains, net	915,165	291,560
Unrealized gains, net	<u>4,836,174</u>	<u>2,238,510</u>
Total endowment gains, net	<u>\$ 6,880,934</u>	<u>\$ 3,244,570</u>

Total investment fees (including direct fund/manager fees and Outsourced Chief Investment Officer fees) are approximately 1.0% annually. All investment performance is presented net of these fees.

**SONOMA STATE UNIVERSITY FOUNDATION**

**Management’s Discussion and Analysis**

June 30, 2024

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Additions to permanent endowments were approximately \$899 thousand in 2024. Additions to permanent endowments may include direct gifts, matching gifts and gift annuities held at the California State University Foundation. Pledges made for endowments are not recorded until the actual gift has been made. Detailed below are additions to permanent endowments to the Foundation in 2024.

**Additions to Permanent Endowments**

Michael MacDonald Endowment	\$	435,000
Marcia Jane Addams Endowment		88,463
Benedetti Green Music Center Endowment		50,000
Lecture on History of Asia Pacific War Endowment		33,525
Barbara Hornsleth Croizat Endowment		30,000
Beverly J. McDonald Piano Endowment		26,544
Geology Field Trip Endowment		26,440
Additions between \$5,001 and \$24,999		150,431
Additions of \$5,000 or less		58,450
Total increase to permanent endowments	\$	<u>898,853</u>

**Budgetary Highlights**

The Foundation’s operating fund is the only Foundation fund with an established budget for operations. The budget is approved annually by the Board.

**Factors Impacting Future Periods**

The economy and related financial markets have been very volatile the past several years and in the current year. The endowment as a whole is currently above corpus and the Board has approved the pooled endowment distribution of approximately \$2.1 million for the upcoming 2024/2025 fiscal year. The endowment distribution will support various campus programs and student scholarships.

The Foundation is anticipating a challenging investment environment for the next several years. The impact this will have on future spending rates and funds available for distribution will be evaluated in the context of preserving the endowment corpus and maximizing future distribution amounts.

# SONOMA STATE UNIVERSITY FOUNDATION

## Statements of Net Position

June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 324,118	\$ 378,452
Short-term investments	313,463	229,240
Pledges receivable, net	490,097	1,042,720
Total Current Assets	<u>1,127,678</u>	<u>1,650,412</u>
Noncurrent Assets:		
Pledges receivable, net	971,960	1,408,621
Endowment investments	49,920,639	49,704,993
Other long-term investments	19,639,955	14,653,323
Other assets	1,001,908	933,319
Total Noncurrent Assets	<u>71,534,462</u>	<u>66,700,256</u>
Total Assets	<u>72,662,140</u>	<u>68,350,668</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	1,973	2,943
<b>NET POSITION</b>		
Restricted for:		
Nonexpendable-endowments	51,580,176	50,615,917
Expendable:		
Scholarships and fellowships	1,079,495	1,523,512
Other	16,203,057	12,428,599
Unrestricted	3,797,439	3,779,697
Total Net Position	<u>\$ 72,660,167</u>	<u>\$ 68,347,725</u>

**SONOMA STATE UNIVERSITY FOUNDATION****Statements of Revenues, Expenses, and Changes in Net Position**

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Sales and services of educational activities	\$ 4,910	\$ 3,328
Other operating revenues	<u>74,117</u>	<u>57,192</u>
Total Operating Revenues	<u>79,027</u>	<u>60,520</u>
Operating Expenses:		
Institutional support	<u>236,100</u>	<u>201,995</u>
Total Operating Expenses	<u>236,100</u>	<u>201,995</u>
Operating Loss	(157,073)	(141,475)
Nonoperating Revenues (Expenses):		
Gifts to the Foundation, noncapital	439,256	5,318,974
Gifts to the University from the Foundation, noncapital	(3,748,478)	(4,963,255)
Investment loss, net	(1,050)	(4,684)
Endowment income, net	<u>6,880,934</u>	<u>3,244,570</u>
Total Nonoperating Revenues	<u>3,570,662</u>	<u>3,595,605</u>
Total Income Before Other Additions	3,413,589	3,454,130
Additions to Permanent Endowments	<u>898,853</u>	<u>424,484</u>
Change in Net Position	4,312,442	3,878,614
Net Position, beginning	<u>68,347,725</u>	<u>64,469,111</u>
Net Position, ending	<u>\$ 72,660,167</u>	<u>\$ 68,347,725</u>

## SONOMA STATE UNIVERSITY FOUNDATION

### Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Payments to suppliers	\$ (237,070)	\$ (199,852)
Other operating receipts	<u>79,027</u>	<u>60,520</u>
Net Cash Used in Operating Activities	<u>(158,043)</u>	<u>(139,332)</u>
Cash Flows from Noncapital Financing Activities:		
Gifts received	2,258,804	5,903,058
Gifts made to the University	<u>(3,748,478)</u>	<u>(4,963,255)</u>
Net Cash (Used by) Provided by Noncapital Financing Activities	<u>(1,489,674)</u>	<u>939,803</u>
Cash Flows from Investing Activities:		
Sales and maturities of investments	7,726,246	3,432,956
Purchase of investments	<u>(7,539,174)</u>	<u>(5,774,736)</u>
Investment income received	1,614,930	1,183,955
Investment expenses paid	<u>(208,619)</u>	<u>(217,857)</u>
Net Cash Provided by (Used by) Investing Activities	<u>1,593,383</u>	<u>(1,375,682)</u>
Net Decrease in Cash and Cash Equivalents	(54,334)	(575,211)
Cash and Cash Equivalents, beginning of year	<u>378,452</u>	<u>953,663</u>
Cash and Cash Equivalents, end of year	<u>\$ 324,118</u>	<u>\$ 378,452</u>

**SONOMA STATE UNIVERSITY FOUNDATION****Statements of Cash Flows, continued**

Years Ended June 30, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (157,073)	\$ (141,475)
Change in assets and liabilities:		
Accounts payable	<u>(970)</u>	<u>2,143</u>
Total Adjustments	<u>(970)</u>	<u>2,143</u>
Net Cash Used by Operating Activities	\$ <u><u>(158,043)</u></u>	\$ <u><u>(139,332)</u></u>

# SONOMA STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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### Note 1 - Organization

The Sonoma State University Foundation (the Foundation) was established in 1974 as an auxiliary organization of the California State University System (the System), as defined in the California Education Code, Title V, Section 42400, to engage in activities furthering and enhancing the educational effectiveness of Sonoma State University (University) and supplement services provided by the State of California.

The Foundation's principle mission is to receive and administer endowment gifts and planned giving that enhance and promote the University's educational mission. The activities of the Foundation are directed by a board of community, student, faculty, and administrative representatives.

### Note 2 - Summary of Significant Accounting Policies

#### Financial Reporting Entity

The Foundation is a legally separate tax-exempt component unit of the University. The University is part of the System. The Foundation acts primarily as a support organization to supplement the resources that are available to the University in support of its programs. The Foundation's board appointments require approval from the University President, and as a result, the Foundation follows the reporting principles promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements present only the statements of net position, statements of revenues, expenses, and changes in net position, and statements of cash flows of Sonoma State University Foundation and do not purport to, and do not, present fairly the financial position of the University or the System as of June 30, 2024 and 2023 and its changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP, as prescribed by the GASB. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

The basic financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. As a component unit of a public institution, the Foundation has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in business-type activities. In accordance with the business-type activities reporting model, the Foundation prepares its statement of cash flows using the direct method.

#### Classification of Current and Noncurrent Assets and Liabilities

The Foundation considers current assets, those that can reasonably be expected, as part of its normal business operations, to be converted to cash and be available for liquidation of current liabilities within 12 months of the statement of net position date. Liabilities that reasonably can be expected, as part of normal Foundation business operations, to be liquidated within 12 months of the statement of net position date are considered to be current. All other assets and liabilities are considered to be noncurrent.

#### Cash and Cash Equivalents

The Foundation considers all highly liquid investments that are to be used for operations with a maturity date of three months or less to be cash equivalents. Cash and cash equivalents consist of checking accounts and money market funds.



# SONOMA STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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### Note 2 - Summary of Significant Accounting Policies, continued

#### Pledges Receivable

Unconditional pledges receivable are recorded as receivables and revenue. To be recorded, the pledge must be documented, reasonably measured and probable of collection. The Foundation distinguishes between contributions received for each asset category in accordance with donor-imposed restrictions. Pledges receivable are discounted to the anticipated net present value of future cash flows. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on past payment history. Pledges received for endowments are not recorded until received as cash.

#### Investments

Investments are reflected at fair value using quoted market prices when available. For investments that do not have quoted market prices readily available, the fair value is determined by the Foundation to be the most recent investment manager reported asset value adjusted for calls and distributions, giving consideration to factors which might necessitate an adjustment such as ongoing due diligence monitoring and significant market or portfolio changes. Realized and unrealized gains and losses are included in the accompanying statements of revenues, expenses, and changes in net position as investment income (loss), net. It is generally the policy of the Foundation to invest all funds that are not required for operations. The three general investment pools are the current funds pool, endowment pool and the special investment pool. Alternative types of investment may be considered, although, in no case are any of the investment pools to be invested exclusively in alternative investment vehicles.

The investment objectives of the endowment pool are to achieve returns in excess of the rate of inflation, net of spending, in order to preserve the purchasing power of the assets, while also emphasizing long-term growth while avoiding excessive risk. The long-term total return objective for the portfolio is inflation, as determined by the U.S. Higher Education Price Index (HEPI), plus 4.5 percent.

#### Net Position

The Foundation's net position is classified into the following categories:

*Restricted - nonexpendable endowments:* Net position subject to externally imposed conditions require that the Foundation retains them in perpetuity; this category mainly consists of endowments held by the Foundation.

*Restricted - expendable:* Net position subject to externally imposed conditions that can be fulfilled by the actions of the Foundation or by the passage of time.

*Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors of the Foundation.

The Foundation has adopted a practice of generally utilizing restricted - expendable funds, prior to unrestricted funds, when an expense is incurred for purposes for which both are available.

#### Classification of Revenues and Expenses

The Foundation considers operating revenues and expenses in the statements of revenues, expenses, and changes in net position to be those revenues and expenses that result from exchange transactions or from other activities that are connected directly to the Foundation's primary functions. Exchange transactions include charges for services rendered and the acquisition of goods and services. Certain other transactions are reported as nonoperating revenues and expenses or capital contributions in accordance with GASB Statement No. 35. These nonoperating activities include net investment income and gifts.

# SONOMA STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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### Note 2 - Summary of Significant Accounting Policies, continued

#### Income Taxes

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise and income tax under section 23701(d) of the Revenue and Taxation Code. Continuance of such exemption is subject to compliance with laws and regulations of the taxing authorities. The Foundation utilizes accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. The Foundation recognizes accrued interest and penalties associated with uncertain tax positions as part of the statements of revenues, expenses, and changes in net position, when applicable. Management has determined that the Foundation has no uncertain tax positions at June 30, 2024 and 2023 and therefore, no amounts have been accrued. The Foundation files income tax returns in the United States and various state and local jurisdictions.

#### Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the accompanying financial statements. Actual results could differ from those estimates.

#### Subsequent Events

The Foundation has evaluated subsequent events through September 12, 2024, which is the date the financial statements were available to be issued.

#### Implementation of a New Accounting Standard

During the fiscal year ended June 30, 2024, the Foundation implemented GASB Statement No. 100, Accounting Changes and Error Corrections. The objective of the Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. Included within the guidance are updates to how to report changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and error corrections. Additionally, the Statement provides information on required note disclosures and the effect of prior period restatements on the Management's Discussion and Analysis. The Foundation's financial statements were not impacted by the implementation of this standard in the current year.

### Note 3 - Cash and Cash Equivalents

The majority of cash and investments are pooled; however, separate accounting is maintained as to the amounts allocable to the various programs.

Cash and Cash Equivalents at June 30:

	<u>2024</u>	<u>2023</u>
Book balance	\$ 324,118	\$ 378,452
Bank balance	<u>342,363</u>	<u>383,177</u>
Difference between book balance and bank	<u>\$ (18,245)</u>	<u>\$ (4,725)</u>
Significant reconciling items consist of:		
Deposits in transit	\$ (9,430)	\$ -
Outstanding checks	<u>(8,815)</u>	<u>(4,725)</u>
	<u>\$ (18,245)</u>	<u>\$ (4,725)</u>

# SONOMA STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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### Note 4 - Investments

#### Composition of Investments

Investments include real property, debt and equity securities, mutual funds, hedge funds, private equity and commodities. Investments are reported at fair market value. Changes in the fair value of endowment investments are reported as part of endowment income (loss), net in the statements of revenues, expenses, and changes in net position. During the year ended June 30, 2024, the Foundation recognized \$1,129,595 of investment income net of fees along with a net realized gain of \$915,165 and an unrealized gain of \$4,836,174. During the year ended June 30, 2023, the Foundation recognized \$714,500 of investment income net of fees along with a net realized gain of \$291,560 and an unrealized gain of \$2,238,510. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

The market approach is the valuation technique that the Foundation utilizes. Quoted market prices for identical assets in an active market are used to value the Foundation's mutual funds, equity and portion of commodities/real assets (Level 1). Quoted market prices for similar assets or quoted prices for identical assets but not in active markets are used to value the Foundation's hedge funds (Level 2). Investments with unobservable inputs significant to the fair value measurement include private equity and a portion of commodities (Level 3). As a practical expedient, certain financial instruments may be valued using net asset value (NAV) per share. NAV is the amount of net assets attributable to each share of outstanding capital stock at the end of the period.

These prices and values are estimates from financial institutions as of June 30, 2024 and 2023. There have been no changes in the Foundation's valuation techniques for the years presented.

The composition of short-term investments consists of the current portion of CSU Consolidated Investment pool classified as NAV. As of June 30, 2024 and 2023, short-term investments in the CSU Investment pool were \$313,463 and \$229,240, respectively.

The composition of long-term investments at June 30:

	2024	2023
Equity	\$ 16,808,598	\$ 15,906,575
Mutual funds	12,604,418	9,869,665
Exchange traded funds (ETFs)	18,273,777	17,070,401
Hedge funds	8,240,009	7,331,997
Private equity	6,247,606	5,082,962
Real assets and commodities	3,949,261	4,723,326
Treasury securities	970,445	294,886
CSU Consolidated Investment pool	1,793,583	3,308,459
Federal agencies	628,837	727,432
Annuity and life insurance	44,060	42,613
Total investments	<u>69,560,594</u>	<u>64,358,316</u>
Less endowment investments	<u>(49,920,639)</u>	<u>(49,704,993)</u>
Total long-term investments, net of endowments	<u>\$ 19,639,955</u>	<u>\$ 14,653,323</u>

## SONOMA STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2024 and 2023

#### Note 4 - Investments, continued

##### Investment Costs and Fair Market Values

Aggregated costs and fair values of long-term investments at June 30, 2024 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Equity	\$ 12,830,852	\$ 16,808,598
Mutual funds	13,102,491	12,604,418
Exchange traded funds (ETFs)	15,903,004	18,273,777
Hedge funds	4,750,930	8,240,009
Private equity funds	6,261,188	6,247,606
Real assets and commodities	3,608,012	3,949,261
Treasury securities	1,029,871	970,445
CSU Consolidated Investment pool	1,793,583	1,793,583
Federal agencies	669,131	628,837
Annuity and life insurance	44,060	44,060
Total	<u>\$ 59,993,122</u>	<u>\$ 69,560,594</u>

The private equity funds are invested in U.S. domiciled private equity funds that are primarily focused on growth equity and buyout strategies, but also include distressed and opportunistic strategies as well as private infrastructure assets. The Foundation has a \$10,485,950 commitment of which \$3,763,100 was unfunded as of June 30, 2024.

Aggregated costs and fair values of long-term investments at June 30, 2023 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
Equity	\$ 13,486,758	\$ 15,906,575
Mutual funds	10,766,700	9,869,665
Exchange traded funds (ETFs)	17,254,834	17,070,401
Hedge funds	4,750,930	7,331,997
Private equity funds	4,932,147	5,082,962
Real assets and commodities	3,958,623	4,723,326
Treasury securities	326,640	294,886
CSU Consolidated Investment pool	3,308,459	3,308,459
Federal agencies	761,152	727,432
Annuity and life insurance	42,613	42,613
Total	<u>\$ 59,588,856</u>	<u>\$ 64,358,316</u>

# SONOMA STATE UNIVERSITY FOUNDATION

## Notes to Financial Statements

Years Ended June 30, 2024 and 2023

### Note 4 - Investments, continued

#### Investments Broken Down Using the Fair Value Hierarchy

The fair market value of investments is categorized as follows for the year ended June 30, 2024:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity	\$ 16,808,598	\$ 16,808,598	\$ -	\$ -	\$ -
Mutual funds	12,604,418	12,604,418	-	-	-
Exchange traded funds (ETFs)	18,273,777	18,273,777	-	-	-
Hedge funds	8,240,009	-	-	-	8,240,009
Private equity	6,247,606	-	-	1,595,742	4,651,864
Real assets and commodities	3,949,261	-	-	1,574,433	2,374,828
Treasury securities	970,445	-	970,445	-	-
CSU Consolidated Investment pool	1,793,583	-	-	-	1,793,583
Federal agencies	628,837	-	628,837	-	-
Annuity and life insurance	44,060	-	-	44,060	-
<b>Total long-term investments</b>	<b>\$ 69,560,594</b>	<b>\$ 47,686,793</b>	<b>\$ 1,599,282</b>	<b>\$ 3,214,235</b>	<b>\$ 17,060,284</b>

The fair market value of investments is categorized as follows for the year ended June 30, 2023:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
Equity	\$ 15,906,575	\$ 15,906,575	\$ -	\$ -	\$ -
Mutual funds	9,869,665	9,869,665	-	-	-
Exchange traded funds (ETFs)	17,070,401	17,070,401	-	-	-
Hedge funds	7,331,997	-	-	-	7,331,997
Private equity	5,082,962	-	-	1,144,691	3,938,271
Real assets and commodities	4,723,326	-	-	1,426,498	3,296,828
Treasury securities	294,886	-	294,886	-	-
CSU Consolidated Investment pool	3,308,459	-	-	-	3,308,459
Federal agencies	727,432	-	727,432	-	-
Annuity and life insurance	42,613	-	-	42,613	-
<b>Total long-term investments</b>	<b>\$ 64,358,316</b>	<b>\$ 42,846,641</b>	<b>\$ 1,022,318</b>	<b>\$ 2,613,802</b>	<b>\$ 17,875,555</b>

## SONOMA STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2024 and 2023

#### Note 4 - Investments, continued

##### Investments Broken Down Using the Fair Value Hierarchy, continued

Changes in the fair value of Level 3 investments are as follows for the years ended June 30:

	2024	2023
Fair value, beginning of year	\$ 2,613,802	\$ 3,270,244
Deposits	791,372	177,442
Unrealized losses	(192,387)	(835,254)
Change in annuity and life insurance	1,448	1,370
	<u>\$ 3,214,235</u>	<u>\$ 2,613,802</u>

Changes in the fair value of NAV investments are as follows for the years ended June 30:

	2024	2023
Fair value, beginning of year	\$ 17,875,555	\$ 16,525,343
Deposits (Withdrawals)	(1,327,819)	1,860,865
Unrealized gains (losses)	512,548	(510,653)
	<u>\$ 17,060,284</u>	<u>\$ 17,875,555</u>

Commitments and redemption schedule for Level 3 investments are as follows:

	<u>Fair value at June 30, 2024</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
McMorgan Infrastructure Fund (a)	\$ 806,949	\$ 331,965	n/a	n/a
KKR Americas (b)	1,167,083	115,555	n/a	n/a
Bridge WFAH (a)	767,484	127,907	n/a	n/a
Vistria V (i)	428,659	658,931	n/a	n/a
Annuity and life insurance	44,060	-	n/a	n/a
	<u>\$ 3,214,235</u>	<u>\$ 1,234,358</u>		

	<u>Fair value at June 30, 2023</u>	<u>Unfunded commitment</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
McMorgan Infrastructure Fund (a)	\$ 854,106	\$ 331,964	n/a	n/a
KKR Americas (b)	1,144,691	106,652	n/a	n/a
Bridge WFAH (a)	572,392	447,683	n/a	n/a
Annuity and life insurance	42,613	-	n/a	n/a
	<u>\$ 2,613,802</u>	<u>\$ 886,299</u>		

## SONOMA STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2024 and 2023

#### Note 4 - Investments, continued

##### Investments Broken Down Using the Fair Value Hierarchy, continued

Commitments and redemption schedule for NAV investments are as follows:

	Fair value at June 30, 2024	Unfunded commitment	Redemption frequency	Redemption notice period
Private Advisors Fund V (c)	\$ 237,898	\$ 81,398	n/a	n/a
Private Advisors Fund VI (c)	543,480	105,199	n/a	n/a
Hamilton Lane (d)	439,215	82,351	n/a	n/a
Vintage Access (e)	459,630	105,000	n/a	n/a
Millennium (f)	781,820	-	semi-annual	90 days
Evanston Weatherlow (f)	2,336,518	-	quarterly	65 days
Canyon Value (f)	2,236,193	-	quarterly	by 20th day of each quarter
Sculptor Overseas (f)	1,736,101	-	annually	45 days
BREIT (g)	2,374,828	-	monthly	90 days
Goldman Sachs Vintage VIII (d)	974,345	553,750	n/a	n/a
NB Select Opps III (d)	881,756	101,250	n/a	n/a
Schonfeld (f)	1,149,377	-	quarterly	45 days
HarbourVest (h)	686,256	225,000	n/a	n/a
KKR Global II (k)	306,685	697,415	n/a	n/a
Coller International IX (j)	122,599	577,401	n/a	n/a
CSU Consolidated Investment pool	1,793,583	-	n/a	n/a
	<u>\$ 17,060,284</u>	<u>\$ 2,528,764</u>		

	Fair value at June 30, 2023	Unfunded commitment	Redemption frequency	Redemption notice period
Private Advisors Fund V (c)	\$ 256,587	\$ 83,535	n/a	n/a
Private Advisors Fund VI (c)	522,394	141,124	n/a	n/a
Hamilton Lane (d)	442,082	102,777	n/a	n/a
Vintage Access (e)	549,809	105,000	n/a	n/a
Millennium (f)	683,580	-	semi-annual	90 days
Evanston Weatherlow (f)	2,049,667	-	quarterly	65 days
Canyon Value (f)	2,032,368	-	quarterly	by 20th day of each quarter
Sculptor Overseas (f)	1,521,379	-	annually	45 days
BREIT (g)	3,296,828	-	monthly	90 days
Goldman Sachs Vintage VIII (d)	959,663	499,523	n/a	n/a
NB Select Opps III (d)	835,915	101,250	n/a	n/a
Schonfeld (f)	1,045,003	-	quarterly	45 days
HarbourVest (h)	371,821	562,500	n/a	n/a
CSU Consolidated Investment pool	3,308,459	-	n/a	n/a
	<u>\$ 17,875,555</u>	<u>\$ 1,595,709</u>		

## SONOMA STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2024 and 2023

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#### Note 4 - Investments, continued

##### Investments Broken Down Using the Fair Value Hierarchy, continued

- (a) limited partnership formed for the purpose of investing in private infrastructure assets
- (b) limited liability company formed to invest in private equity with the particular focus on buyout
- (c) limited partnership organized for the purpose of investing in private equity and small company buyout, distressed and opportunistic funds and limited partnership organized for the purpose of investing in private equity funds focused on growth equity, buyout and distressed strategies
- (d) limited partnership organized for the purpose of investing in global private equity including real assets
- (e) limited liability company formed for the purpose of making direct investments in institutional private equity and private credit
- (f) various hedge funds where the NAV is calculated separately with respect to the company's different classes and series of shares
- (g) non-traded perpetual life REIT that invests in private commercial real estate and real estate debt securities
- (h) limited liability company formed for the purpose of making investments in limited partnerships or other pooled investment vehicles and directly in private equity transactions
- (i) limited partnership formed to make middle-market buyout and growth equity investments
- (j) limited partnership focuses on acquiring buyout assets but may have an allocation across the private markets to include credit and other asset types
- (k) limited partnership focuses on private equity established to invest in businesses that deliver solutions to critical global challenges

##### Endowment Investments

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) authorizes the spending of corpus and net appreciation. Spending under UPMIFA is governed by a comprehensive prudence standard that considers a number of factors. One of those factors is the duration and preservation of the endowment fund. The Board of Directors has interpreted this factor as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies the original value of the gift donated along with the original value of subsequent gifts donated to the permanent endowment. These are included in the restricted, nonexpendable-endowment net position category on the statements of net position. The Foundation's current spending policy is targeted to distribute up to 4% of a five-year rolling average of the market value of the pooled endowment, based on the average market value of the previous 20 quarters with the final quarter ending on December 31, while taking into account the required prudence evaluation as guided by UPMIFA, which requires considering the donor's intent as well as several economic factors.

If the endowments' market value is above corpus then the net investment appreciation, realized and unrealized, is reported in the restricted, expendable – other net position category on the statements of net position until appropriated for spending pursuant to donor agreements. However, if the endowments' market value is below corpus then the net investment depreciation, realized and unrealized, is reported in the restricted, nonexpendable-endowment net position category on the statements of net position.

The Foundation made a pooled endowment distribution of approximately \$1.9 million dollars to the University in fall of 2023 (FY23/24) and approximately \$1.8 million dollars to the University in fall of 2022 (FY22/23). These amounts are included in gifts to the University from the Foundation, noncapital on the statements of revenues, expenses, and changes in net position. These distributions were funded with endowment income and realized gains on endowment assets. The Foundation's Board has already approved a distribution of approximately \$2.1 million for the upcoming year.



## **SONOMA STATE UNIVERSITY FOUNDATION**

### **Notes to Financial Statements**

Years Ended June 30, 2024 and 2023

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#### **Note 5 - Deposit and Investment Risk**

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a counterparty, the Foundation would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Financial instruments that potentially subject the Foundation to custodial credit risk consist primarily of bank demand deposits and investments in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investors Protector Corporation (SIPC). The Foundation places its cash investments with a number of quality financial institutions to limit the exposure to loss by any one institution.

The Foundation had cash and cash equivalent of \$342,363, which represents the balance recorded at the respective financial institutions compared to the book balance recorded by the Foundation of \$324,118 at June 30, 2024, of which all was covered by the FDIC or SIPC insurance programs. Coverage amounts are based on the balance recorded by the financial institution.

Investments other than cash are held in the name of the Foundation. No policy exists related to custodial risk specifically. The Foundation's investment policy does not prohibit deposits in single institutions that expose the Foundation to custodial credit risk.

##### Concentration of Credit Risk

The Foundation does not limit the amount that may be invested in any one issuer. At June 30, 2024, the Foundation's Schedule of Investments had \$66,190,627 or 93% of its noncurrent investments with its primary investment advisor, Graystone Consulting. Graystone Consulting's parent Morgan Stanley (MS) carries \$600 million coverage for loss due to fraudulent acts and \$20 million coverage for Errors and Omissions, which covers MS and all of their subsidiaries. The Foundation has no policy which limits concentration of credit risk.

##### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Foundation participates in a CSU system wide internal investment pool managed by an asset management and investment advisory firm that serves the CSU system.

##### Interest Rate Risk

Interest rate risk is the risk of exposure to fair value losses resulting from rising interest rates. The Foundation has various types of fixed income investments. The other investments subject to interest rate risk are bond funds, which are invested in mutual funds that mitigate interest rate risk through a multi-strategy approach.

**SONOMA STATE UNIVERSITY FOUNDATION**

**Notes to Financial Statements**

Years Ended June 30, 2024 and 2023

**Note 6 - Pledges Receivable**

Pledges receivable at June 30, 2024 consisted of the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Year ending June 30, 2025	\$ 613,653	\$ -	\$ 613,653
Years ending June 30, 2025 through 2030	<u>-</u>	<u>1,106,285</u>	<u>1,106,285</u>
Total pledges at full pledged value	613,653	1,106,285	1,719,938
Less:			
Allowance for uncollectible pledges	(105,683)	(55,314)	(160,997)
Reduction in pledges for present value	<u>(17,873)</u>	<u>(79,011)</u>	<u>(96,884)</u>
Total pledges, net	<u>\$ 490,097</u>	<u>\$ 971,960</u>	<u>\$ 1,462,057</u>

Pledges receivable at June 30, 2023 consisted of the following:

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Year ending June 30, 2024	\$ 1,132,316	\$ -	\$ 1,132,316
Years ending June 30, 2024 through 2029	<u>-</u>	<u>1,624,474</u>	<u>1,624,474</u>
Total pledges at full pledged value	1,132,316	1,624,474	2,756,790
Less:			
Allowance for uncollectible pledges	(56,616)	(81,224)	(137,840)
Reduction in pledges for present value	<u>(32,980)</u>	<u>(134,629)</u>	<u>(167,609)</u>
Total pledges, net	<u>\$ 1,042,720</u>	<u>\$ 1,408,621</u>	<u>\$ 2,451,341</u>

**Note 7 - Other Assets**

Other assets consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Beneficial interest in perpetual trust	\$ 919,993	\$ 851,404
Gift annuities held at CSU Foundation	<u>81,915</u>	<u>81,915</u>
Total other assets	<u>\$ 1,001,908</u>	<u>\$ 933,319</u>

**SONOMA STATE UNIVERSITY FOUNDATION**

**Notes to Financial Statements**

Years Ended June 30, 2024 and 2023

**Note 7 - Other Assets, continued**

The Foundation is the beneficiary of a perpetual trust agreement that is administered by an independent third party. The principal assets will remain part of the trust for perpetuity. Market appreciation is offset by a distribution made by the Trustee as required by the trust. This distribution, which is to an outside party, was \$0 for both years ended June 30, 2024 and 2023, respectively. This distribution, when it occurs, is reflected in other nonoperating expenses in the statements of revenues, expenses, and changes in net position. The Foundation will receive a stream of income from this trust, which is included in endowment income (loss), net in the statements of revenues, expenses, and changes in net position.

The Foundation records its interest in gift annuities held under agency agreement at the CSU Foundation at their estimated present value. The contribution revenue is included in gifts to the Foundation, noncapital, on the statements of revenues, expenses, and changes in net position.

The Foundation is also the beneficiary of certain trusts that are administered by third parties. These interests are not recognized in the financial statements as they do not meet the eligibility requirements.

**Note 8 - Risk Management**

The Foundation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Foundation has joined together with other CSU Auxiliaries in the CSU Risk Management Authority (the Authority), a public entity risk pool. The Foundation pays an annual premium to the Authority for its general insurance coverage. The intent is for the Authority to remain self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the \$5,000,000 limit per each insured event. There have been zero claims against the insurance in the past three years. Annual premiums totaled \$7,580 and \$6,763 for the years ending June 30, 2024 and 2023, respectively.

**Note 9 - Classification of Operating Expenses**

The Foundation has elected to report operating expenses by functional classification in the statements of revenues, expenses, and changes in net position, but to provide the natural classification of those expenses as an additional disclosure. For the years ended June 30, 2024 and 2023, operating expenses by natural classification consisted of the following:

<u>2024</u>	<u>Supplies and other services</u>	<u>Total</u>
Functional classification:		
Institutional support	\$ 236,100	\$ 236,100
Total	<u>\$ 236,100</u>	<u>\$ 236,100</u>
<u>2023</u>	<u>Supplies and other services</u>	<u>Total</u>
Functional classification:		
Institutional support	\$ 201,995	\$ 201,995
Total	<u>\$ 201,995</u>	<u>\$ 201,995</u>

## SONOMA STATE UNIVERSITY FOUNDATION

### Notes to Financial Statements

Years Ended June 30, 2024 and 2023

#### Note 10 - Calculation of Net Position Restricted for Nonexpendable Endowments

	2024	2023
Endowment investments	\$ 49,920,639	\$ 49,704,993
Portion of other assets restricted to endowments	1,659,537	910,924
Net position - restricted for nonexpendable - endowments	<u>\$ 51,580,176</u>	<u>\$ 50,615,917</u>

#### Note 11 - Transactions with Related Entities

The Foundation has an operating agreement with the University for executive management, oversight, financial resources, and logistical services and reimburses the University in accordance with the approved cost allocation plan (Executive Order 1000). The Foundation manages endowment donations received. The Foundation manages pledges and accepts stock donations; once pledges or stocks are converted to cash, they are transferred to the University. The Foundation transfers funds to the University as authorized and directed by the respective programs. Included in the transfers to the University are amounts for scholarships and support of programs.

The Foundation is the beneficiary of gift annuities that are held by the CSU Foundation. These gift annuities are included in other assets in the statements of net position. Each year, an annual update of the gift annuities is provided and the changes in the values are recognized as additional revenues and receivables.

The accompanying financial statements include the following transactions with related parties as of and for the years ended June 30:

	2024	2023
Transfer from the University for Lifetime Alumni Endowment	\$ 2,760	\$ 3,328
Total payments received from the University	<u>\$ 2,760</u>	<u>\$ 3,328</u>
Gifts to the University	\$ 3,458,644	\$ 4,635,684
Gifts to the University to support Advancement Division	289,834	327,571
Payments to the University in accordance with CSU Executive Order 1000	119,443	85,669
Transfers to the University for program activities	<u>\$ 3,867,921</u>	<u>\$ 5,048,924</u>
Payments to other auxiliaries for program activities (included in operating expenses)	<u>\$ 1,210</u>	<u>\$ 1,478</u>
Accounts payable to the University	<u>\$ 1,973</u>	<u>\$ 25</u>
Accounts payable to related auxiliary organizations	<u>\$ -</u>	<u>\$ 477</u>
Gift annuities held by the California State University Foundation (included in <i>Other Assets</i> in the Statements of Net Position)	<u>\$ 81,915</u>	<u>\$ 81,915</u>

## SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Sonoma State University Foundation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sonoma State University Foundation (the Foundation), which comprise the statement of net position as of June 30, 2024, the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Aldrich CPAs + Advisors LLP*

San Diego, California  
September 12, 2024

**INFORMATION FOR THE CALIFORNIA STATE  
UNIVERSITY CHANCELLOR'S OFFICE**



# SONOMA STATE UNIVERSITY FOUNDATION

## Schedule of Net Position

June 30, 2024

(for inclusion in the California State University)

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### Assets:

#### Current assets:

Cash and cash equivalents	\$	324,118
Short-term investments		313,463
Accounts receivable, net		-
Lease receivable, current portion		-
P3 receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		490,097
Prepaid expenses and other current assets		-
<b>Total current assets</b>		<u>1,127,678</u>

#### Noncurrent assets:

Restricted cash and cash equivalents		-
Accounts receivable, net		-
Lease receivable, net of current portion		-
P3 receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		971,960
Endowment investments		49,920,639
Other long-term investments		19,639,955
Capital assets, net		-
Other assets		1,001,908
<b>Total noncurrent assets</b>		<u>71,534,462</u>
<b>Total assets</b>		<u>72,662,140</u>

#### Deferred outflows of resources:

Unamortized loss on debt refunding		-
Net pension liability		-
Net OPEB liability		-
Leases		-
P3		-
Others		-
<b>Total deferred outflows of resources</b>		<u>-</u>

# SONOMA STATE UNIVERSITY FOUNDATION

## Schedule of Net Position, continued

June 30, 2024

(for inclusion in the California State University)

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### Liabilities:

#### Current liabilities:

Accounts payable	1,973
Accrued salaries and benefits	-
Accrued compensated absences, current portion	-
Unearned revenues	-
Lease liabilities, current portion	-
SBITA liabilities - current portion	-
P3 liabilities - current portion	-
Long-term debt obligations, current portion	-
Claims liability for losses and loss adjustment expenses, current portion	-
Depository accounts	-
Other liabilities	-
<b>Total current liabilities</b>	<b>1,973</b>

#### Noncurrent liabilities:

Accrued compensated absences, net of current portion	-
Unearned revenues	-
Grants refundable	-
Lease liabilities, net of current portion	-
SBITA liabilities, net of current portion	-
P3 liabilities, net of current portion	-
Long-term debt obligations, net of current portion	-
Claims liability for losses and loss adjustment expenses, net of current portion	-
Depository accounts	-
Net other postemployment benefits liability	-
Net pension liability	-
Other liabilities	-
<b>Total noncurrent liabilities</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,973</b>

**SONOMA STATE UNIVERSITY FOUNDATION**

**Schedule of Net Position, continued**

June 30, 2024

(for inclusion in the California State University)

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**Deferred inflows of resources:**

P3 service concession arrangements	-
Net pension liability	-
Net OPEB liability	-
Unamortized gain on debt refunding	-
Nonexchange transactions	-
Lease	-
P3	-
Others	-
	<hr/>
<b>Total deferred inflows of resources</b>	<b>-</b>

**Net position:**

Net investment in capital assets	-
Restricted for:	
Nonexpendable – endowments	51,580,176
Expendable:	
Scholarships and fellowships	1,079,495
Research	-
Loans	-
Capital projects	-
Debt service	-
Others	16,203,057
Unrestricted	<hr/> 3,797,439
<b>Total net position</b>	<b><u><u>\$ 72,660,167</u></u></b>

**SONOMA STATE UNIVERSITY FOUNDATION**  
**Schedule of Revenues, Expenses, and Changes in Net Position**  
Year Ended June 30, 2024  
(for inclusion in the California State University)

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**Revenues:**

**Operating revenues:**

Student tuition and fees, gross	\$	-
Scholarship allowances		-

**Grants and contracts, noncapital:**

Federal		-
State		-
Local		-
Nongovernmental		-
Sales and services of educational activities		4,910
Sales and services of auxiliary enterprises, gross		-
Scholarship allowances		-
Other operating revenues		74,117

<b>Total operating revenues</b>		<u>79,027</u>
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**Expenses:**

**Operating expenses:**

Instruction		-
Research		-
Public service		-
Academic support		-
Student services		-
Institutional support		236,100
Operation and maintenance of plant		-
Student grants and scholarships		-
Auxiliary enterprise expenses		3,748,478
Depreciation and amortization		-

<b>Total operating expenses</b>		<u>3,984,578</u>
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<b>Operating income (loss)</b>		<u>(3,905,551)</u>
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**SONOMA STATE UNIVERSITY FOUNDATION****Schedule of Revenues, Expenses, and Changes in Net Position, continued**

Year Ended June 30, 2024

(for inclusion in the California State University)

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<b>Nonoperating revenues (expenses):</b>	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	439,256
Investment income (loss), net	(1,050)
Endowment income (loss), net	6,880,934
Interest expense	-
Other nonoperating revenues (expenses)	-
<b>Net nonoperating revenues (expenses)</b>	<u>7,319,140</u>
<b>Income (loss) before other revenues (expenses)</b>	3,413,589
State appropriations, capital	-
Grants and gifts, capital	-
Additions (reductions) to permanent endowments	<u>898,853</u>
<b>Increase (decrease) in net position</b>	4,312,442
<b>Net position:</b>	
Net position at beginning of year, as previously reported	68,347,725
Restatements	<u>-</u>
<b>Net position at beginning of year, as restated</b>	<u>68,347,725</u>
<b>Net position at end of year</b>	<u><u>\$ 72,660,167</u></u>

# SONOMA STATE UNIVERSITY FOUNDATION

## Other Information

June 30, 2024

(for inclusion in the California State University)

### 1 Cash and cash equivalents:

Current cash and cash equivalents	\$ 324,118
<b>Total</b>	<b>\$ 324,118</b>

### 2.1 Composition of investments:

Investment Type	Current	Noncurrent	Total
U.S. agency securities	\$ -	\$ 628,837	\$ 628,837
U.S. treasury securities	-	970,445	970,445
Mutual funds	-	12,604,418	12,604,418
Exchange traded funds	-	18,273,777	18,273,777
Equity securities	-	16,808,598	16,808,598
Alternative investments:			
Private equity (including limited partnerships)	-	6,247,606	6,247,606
Hedge funds	-	8,240,009	8,240,009
Real estate investments (including REITs)	-	3,949,261	3,949,261
CSU Consolidated Investment Pool (formerly SWIFT)	313,463	1,793,583	2,107,046
Other investments:			
Annuity and Life Insurance	-	44,060	44,060
Total Other investments	-	44,060	44,060
<b>Total investments</b>	<b>313,463</b>	<b>69,560,594</b>	<b>69,874,057</b>
Less endowment investments (enter as negative number)	-	(49,920,639)	(49,920,639)
<b>Total investments, net of endowments</b>	<b>\$ 313,463</b>	<b>\$ 19,639,955</b>	<b>\$ 19,953,418</b>

### 2.2 Fair value hierarchy in investments:

Investment Type	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV)
U.S. agency securities	\$ 628,837	\$ -	\$ 628,837	\$ -	-
U.S. treasury securities	970,445	-	970,445	-	-
Mutual funds	12,604,418	12,604,418	-	-	-
Exchange traded funds	18,273,777	18,273,777	-	-	-
Equity securities	16,808,598	16,808,598	-	-	-
Alternative investments:					
Private equity (including limited partnerships)	6,247,606	-	-	1,595,742	4,651,864
Hedge funds	8,240,009	-	-	-	8,240,009
Real estate investments (including REITs)	3,949,261	-	-	1,574,433	2,374,828
CSU Consolidated Investment Pool (formerly SWIFT)	2,107,046	-	-	-	2,107,046
Other investments:					
Annuity and Life Insurance	44,060	-	-	44,060	-
Total other investments:	44,060	-	-	44,060	-
<b>Total investments</b>	<b>\$ 69,874,057</b>	<b>\$ 47,686,793</b>	<b>\$ 1,599,282</b>	<b>\$ 3,214,235</b>	<b>\$ 17,373,747</b>

See independent auditor's report.

**SONOMA STATE UNIVERSITY FOUNDATION**

**Other Information, continued**

June 30, 2024

(for inclusion in the California State University)

**2.3 Investments held by the University under contractual agreements:**

	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
Investments held by the University under contractual agreements e.g. - CSU Consolidated Investment Pool (formerly SWIFT):	\$ 313,463	1,793,583 \$	<b>2,107,046</b>

**3.1 Capital Assets, excluding ROU assets:** Not Applicable

**3.2 Detail of depreciation and amortization expense:** Not Applicable

**4 Long-term liabilities:** Not Applicable

**5 Future minimum payments schedule - leases, SBITA, P3:** Not Applicable

**6 Future minimum payments schedule - Long-term debt obligations:** Not Applicable

**7 Transactions with related entities:**

Payments to University for other than salaries of University personnel	\$ 119,443
Payments received from University for services, space, and programs	\$ 2,760
Gifts (cash or assets) to the University from discretely presented component units	\$ 3,748,478
Accounts (payable to) University	\$ (1,973)

**8 Restatements:** Not Applicable

**9 Natural classifications of operating expenses:**

	<u>Salaries</u>	<u>Benefits - Other</u>	<u>Benefits - Pension</u>	<u>Benefits - OPEB</u>	<u>Scholarships and fellowships</u>	<u>Supplies and other services</u>	<u>Depreciation and amortization</u>	<u>Total operating expenses</u>
Institutional support	\$ -	\$ -	\$ -	\$ -	\$ -	236,100	\$ -	<b>\$ 236,100</b>
Auxiliary enterprise expenses	-	-	-	-	-	3,748,478	-	<b>3,748,478</b>
<b>Total operating expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>3,984,578</b>	<b>\$ -</b>	<b>\$ 3,984,578</b>

**No pension plan reported:** Not Applicable

**10 Deferred outflows/inflows of resources:** Not Applicable

**11 Other nonoperating revenues (expenses):** Not Applicable